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RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG  
DE RUEHSK #0018/01 0111548  
ZNR UUUUU ZZH  
R 111548Z JAN 08  
FM AMEMBASSY MINSK  
TO RUEHC/SECSTATE WASHDC 6793  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEHVEN/USMISSION USOSCE 1791  
RHMFISS/HQ USEUCOM VAIHINGEN GE  
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

UNCLAS SECTION 01 OF 02 MINSK 000018

SIPDIS

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E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [EAID](#) [BO](#)

SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - January 11, 2008

11. The following are brief items of interest compiled by Embassy Minsk.

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##### Civil Society

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#### 12. No Investigation into Fedaruk Beating

A Minsk district prosecutor's office refused January 9 to open a criminal investigation into the beating of opposition youth leader Dmitriy Fedaruk, giving no official reason for the refusal. Fedaruk stated he plans to appeal the denial, but expressed no hope that the Spetsnaz officers who assaulted him would be punished.

#### 13. Top Election Official Promises Strict Regulations

Central Election Commission (CEC) Chairwoman Lidiya Yermoshina announced plans January 2 to enact strict regulations for the 2008 parliamentary elections. She noted candidates would be "unconditionally" deregistered should the CEC or state security agencies discover foreign sources of campaign funding. Yermoshina also stated that local authorities will authorize only open-air meetings between candidates and voters, and expressed confidence that voters will support state policies and vote for pro-GOB candidates. The CEC head said foreign observers would not be excluded even though their findings were biased. She promised free and fair elections, and maintained that elections could be held October 12, 2008 pending the president's approval.

#### 14. Neo-Nazis Threaten Regional Journalists

The editor-in-chief of the regional independent daily "Courier from Vitebsk" Vladimir Bazan and independent media distributor Boris Khomaida received threatening letters January 9 from the Neo-Nazi group Russian National Unity (RNE). In the letters, RNE members threatened to disrupt newspaper distribution and physically harm Bazan and Khomaida if the newspaper does not publish an article condemning a planned Holocaust memorial in Vitebsk. Bazan and Khomaida plan to file a complaint with the local prosecutor's office, though authorities refused to investigate threats from this group in 2006.

#### 15. Presidential Administration Nixes Election Dialogue

On January 8 Presidential Administration Deputy Head Nataliya Petkevich denied requests from the United Democratic Forces (UDF) for negotiations on electoral legislation and implementation. Explaining the refusal, she stated that organizing elections does not fall within the Presidential Administration's purview. UDF Co-Chair Anatoliy Lebedko claimed the GOB was not "ready for a dialogue with opposition forces," would not enable transparent elections, and would not promote democratic changes.

#### 16. MOJ Denies Union Registration

The Ministry of Justice (MOJ) denied January 9 the registration application of Razam, a trade union of owners of small and medium-sized businesses. The MOJ cited absence of the minutes of the founding convention, failure to cover registration fees, and insufficient documentation as reasons for the refusal. Trade union leader Nikolay Kanakh explained the registration procedure is "excessively complicated" and insists that his group re-filed corrected applications with the MOJ.

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Domestic Economy  
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#### 17. Lukashenko Signs 2008 Budget

President Lukashenko approved the country's 2008 consolidated budget December 28, calling for a deficit of 1.9 percent of GDP, or USD 1 billion. The budget also plans for revenues of USD 23.3 billion and authorizes USD 24.3 billion in expenditures. The GOB plans to secure revenues primarily through VAT (30.7 percent), trade tariffs (20.8 percent), corporate profit tax (13.9 percent), income tax (10.2 percent) and excise tax (9.7 percent), and will rescind five minor taxes.

#### 18. Heineken Purchases Belarus' Second Largest Brewery

Heineken Breweries of Holland, the world's fourth largest brewery, announced December 28 that it has purchased Belarus' second largest brewery, Syabr. Syabr had originally been established by a U.S. company in cooperation with the International Financial Corporation. The Belarusian beer market has shown double-digit growth in recent years and the deal will give Heineken a platform to develop its own local brands.

#### 19. Pessimism of Belarusian Business Leaders Grows

The National Bank of Belarus announced January 8 that the country's Business Climate Index (BCI) fell from 18.5 percent in October to 10.2 percent in November. The BCI calculation is based on a survey of about two thousand Belarusian business leaders and reflects the percentage of those who are optimistic about the country's business climate. According to the National Bank, reasons for this dip include slower growth in domestic orders and overall demand, slower production and sales growth, and a faster increase in input prices.

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International Trade

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¶10. Foreign Debt on the Rise

Belarus' Finance Ministry announced December 29 that the country's sovereign foreign debt rose on the month 13.3 percent to USD 938.5 million in November. Belarus borrowed mostly from Germany, the World Bank, the U.S. and Russia. The country's internal debt increased by 5.2 percent in November, reaching USD 2.7 billion. [Note: Debt figures for December will significantly increase as a result of Russia's USD 1.5 billion credit to Belarus. End Note.]

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¶11. Quote of the Week  
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Gomel-based opposition activist Konstantin Zhukovskiy, who will stand trial for violating a 2003 presidential decree requiring all "foreign gratuitous aid" to be registered with the Presidential Administration's Department for Humanitarian Aid, describing how he committed his alleged crime:

"There were Ukrainian citizens among the guests [at my wedding] who presented me with USD 2,000 as a gift. I learned about the rule only after being summoned by the tax office. It turns out that I should have asked the relatives how much cash they had put in the envelope in order to register it and pay taxes on it."

Moore